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March 6, 2002

SUBJECT: Wisconsin Rural Development Guaranteed Rural Housing (GRH) Update

TO: Approved GRH Lenders and Originators

Following is important information regarding the funding status and program delivery of Wisconsin's GRH loan program. Please distribute this information to all of your branch offices, correspondent banks, or mortgage originators that originate GRH loans in Wisconsin.

FUNDING

Thanks to your outreach efforts, GRH funds utilization in Wisconsin continues to be ahead of last year's pace. Currently, Wisconsin has obligated \$16.9 million with another \$3.9 million in reserved status. Ample funding for the GRH loan program will be available throughout the remainder of this fiscal year based on our National allocation of over \$3.1 billion. Lenders are encouraged to submit requests for pre-approvals for their applicants who have not yet entered into a purchase contract.

GRH LOAN LINE REFERRALS

Beginning late March and continuing through mid-May, Rural Development will be conducting an outreach initiative known as the "GRH Loan Line". We will be placing a classified advertisement in 83 free newspapers (Buyer's Guides, Shoppers, etc.) to promote the GRH loan program on a statewide basis. We will also be running a display ad in the Fox Valley area to concentrate outreach efforts in this market, which appears to have a great deal of GRH potential. Both the classified ad and the display ad will have a toll free number that interested individuals can use to contact Rural Development for more information. Our agency will obtain basic eligibility information from the callers to determine which single family-housing program they are best suited for. If the preliminary information from the caller indicates that they may qualify for the GRH loan program, we will make a referral to active GRH lenders in their area.

The main purpose of the referrals made to lenders from this initiative is to expand the GRH loan program in Wisconsin. Lenders are expected to encourage the individuals who are referred to them to use the GRH loan program if they (and the proposed property) appear to be eligible for GRH assistance. Rural Development will follow up with all referrals made to lenders to determine the cost effectiveness of this type of advertising based on the number of GRH loans resulting from this initiative.

REVISED GUARANTEED LOAN CLOSING REPORT

Enclosed is a copy of Form RD 1980-19, Guaranteed Loan Closing Report, (Rev. 02-02). Please begin using this form immediately and discard any previous revisions of this form. You can obtain this form and the instructions for its completion from the following web site:

<http://rdinit.usda.gov/regs/formtoc.html>

DOCUMENTATION FOR NON-U.S. CITIZENS

Enclosed is a copy of RD AN No. 3712 (1980-D) dated February 14, 2002, Eligibility of Non-U.S. Citizens for Single Family Housing Guaranteed Loan Program Assistance. This AN provides guidance to lenders as to obtaining the necessary documentation necessary for non-citizens to be considered eligible for assistance under the GRH loan program. Information is also provided on the Immigration and Naturalization Service (INS) automated verification system and the types of documents needed to show that a non-citizen is a qualified alien.

CREDIT HISTORY VERIFICATION

Enclosed is a copy of RD AN No. 3694 (1980-D) dated January 8, 2002, Single Family Housing Guaranteed Loan Program (SFHGLP) Applicant Credit History Verification. This AN replaces AN No. 3587 on the same topic and restates our Agency's acceptance of tri-merged credit reports instead of requiring an RMCR for the GRH loan program.

UNDERWRITING PAYMENT SHOCK

Enclosed is a copy of RD AN No. 3693 (1980-D) dated January 8, 2002, Single Family Housing Guaranteed Loan Program (SFHGLP) GRH Approved Lender Underwriting Guidelines. This AN replaces AN No. 3583 on the same topic and restates our Agency's requirement that additional risk layering be avoided in cases where the applicant is experiencing high payment shock (100% or more) or in cases where the applicant did not have housing expense. If additional risk layering is present, the lender's underwriter must document strong compensating factors, which will offset the additional risk.

If you have any questions regarding this memo, call (715) 345-7620 for Paul Bartlett at Ext. 114 or Sue Kohnen at Ext. 115.

/s/

PETER G. KOHNEN
Rural Housing Program Director

PGK: pjb

Enclosures